This article was written by Clark County Assessor Linda Franklin and was originally printed by The Columbian in the October edition of Home Book.

PROPERTY TAX ASSESSMENTS - Why aren't they today's sale price?

Those of us who are fortunate enough to still own property will be paying the second half of our property taxes before October 31st. The assessed value which is the basis for that tax may be more than the amount for which one can sell the property today.

You may ask –"Does that mean I'm paying more than my share of taxes?"

My answer is – "No." Here is why. All properties in Clark County have been appraised at market value as of the same appraisal date. This along with the method of computation of levy rates in the state of Washington assures fairness.

Appraisal Date

All appraisals, whether for tax purposes, purchasing, or refinancing, have a specific appraisal date. The date of the appraisal is important in determining value because changes in the property would change the value from one day to the next. Was the appraisal before or after a catastrophic event, before or after an addition was made, before or after the zoning changed?

The appraisal date is also important when economic conditions are considered.

The value of properties can change rapidly based upon the market. Who is willing to pay what price for property and how much is a bank willing to lend for the mortgage? We have had periods in this county when residential property values were increasing 2% a month and now have seen decreases at 1% or more a month. The specific appraisal date is important in establishing the value of any property and determining what sales should be used for substantiating the value.

For tax purposes, the appraisal date in Washington is January 1 each year. The tax payment you are making in 2009 is based on an appraisal date of January 1, 2008. The analysis of sales from 2007 was made and applied in 2008. Property owners were notified of new values that summer. These values became the basis for the computation of levies later that year and tax statements were sent February of 2009.

There is more than a thirteen month period, from the appraisal date, in this case January 1, 2008, to the first tax payment date based on that value, February 15, 2009. This has been the law in Washington for more than 40 years. As we have experienced, much can happen to the market in that period. It was less problematic for property owners to see assessed values lower than the market, which occurs when the market is increasing.

When property values are declining and the assessed values are higher than those current sales, it is easy to believe there is an error. Because of the length of time from the sales used as the basis for values and the date the property owner pays the taxes, particularly second half taxes, there can be lack of confidence in the assessment.

Because all properties are valued similarly, and as of the same date, no property owner is paying more than their fair share of taxes.

Levy Rate Computation

Another element which contributes to the assurance that we only pay our share of property taxes is the way levy rates are calculated in Washington.

Property taxes are collected by the County Treasurer. The taxes are then distributed to the agencies (taxing districts) which deliver services to us locally. Clark County has 48 taxing districts such as the county, cities, fire districts, school districts, port districts, and the state. The elected officials who manage the taxing districts are responsible for fire protection, police protection, road development and maintenance, parks and recreation, education, and other services we depend upon for our quality of life.

The method for computing levies is designed to assure the taxing districts have a predictable stream of revenue. They do not derive wind-falls as the market and therefore assessed values increase, nor do decreasing property values result in fewer dollars collected and needed to deliver services.

Each taxing district has a budget for property taxes. It is allowed a 1% increase from the prior year's budget for the next year's collection. The total assessed value of all properties within the geographic area the taxing districts serve is divided into the budget required (and allowed) for the district. The result is the levy rate, expressed in dollars per thousand of assessed value, for that district.

The formula to compute levies causes the levy rate to decrease as property values increase and increase as property values decrease.

Since no taxing district gets more than their legally allowed budget, including the 1% increase, the amount of change in assessed value does not influence the taxes that will be collected. The primary change in the budget is made by the elected officials who may choose to request less than the 1% the agency is allowed or by the voters in the district who may pass an increase in taxes.

Property owners can be assured that because their property is being valued uniformly they are paying no more than their fair share of taxes.

What is next?

The staff in Assessment and GIS has been working this year to determine assessments with appraisal date January 1, 2009. We have been using sales from 2008, and notices will be sent in October. This is later than last year due to our migration to a new computer system after 23 years. Every process within the office is changing.

The new notices will be similar to those you have seen in the past. The analysis of sales is similar to prior years. Every tool that is used to prepare notices has changed. If you call, please be patient with staff, it may take us a little longer to get your answers.